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SUBJECT: SWISS-ORIGIN DIGITAL MAGNETIC COMPASSES SOUGHT BY  
IRANIAN MODAFL AFFILIATE VIA GERMAN FIRM (S)

REF: STATE 50120

Classified By: Pol. Couns. R. Rorvig fro reasons 1.4 (b) and (d).

¶1. (S) Embassy passed reftel points to Swiss Economics Department dual use office head Juergen Boehler on May 19. Boehler thanked us for the information and said that the Swiss Government would immediately look into the matter. Boehler noted that Swiss Customs had instituted recently a policy of checking all direct flights from Switzerland to Tehran very carefully for unauthorized exports. As a result, Switzerland had noticed an increase in Iranian attempts to circumvent Swiss export controls by placing orders from firms in nearby countries, especially Germany and Italy. It was particularly difficult for Switzerland to check export orders from Italy, where there are tens of thousands of small family firms. With the current difficult economic times, the Swiss authorities worry that Swiss companies which would normally not risk doing business with dodgy locations are now under more financial stress and thus less likely to look too closely at buyers. Nonetheless, Boehler said that the Swiss authorities still have a pretty good idea of what is happening within Switzerland. They have more trouble when third country entities are involved, and so are particularly grateful for the type of information that the US can provide.

CARTER